

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-02 PRS-01 SP-02 SS-15 NSCE-00

SSO-00 USIE-00 INRE-00 TRSE-00 EB-07 OMB-01 CIEP-02

CEA-01 XMB-04 FRB-01 COME-00 SIL-01 LAB-04 EUR-12

AID-05 PC-05 /095 W

-----202237Z 120440 /66

O R 202131Z JAN 77

FM AMEMBASSY KINGSTON

TO SECSTATE WASHDC IMMEDIATE 3797

INFO AMEMBASSY BRIDGETOWN

AMEMBASSY GEORGETOWN

AMEMBASSY NASSAU

AMEMBASSY PORT

UNCLAS SECTION 1 OF 2 KINGSTON 0327

E.O. 11652: N/A

TAGS: EFIN, JM

SUBJECT: SUMMARY OF MANLEY'S JANUARY 19 AUSTERITY ADDRESS

1. SUMMARY: IN THREE-HOUR ADDRESS TO THE NATION JANUARY 19, PRIME MINISTER MANLEY ANNOUNCED THE GOJ'S LONG-AWAITED ECONOMIC AUSTERITY PACKAGE. IN DECLARING A " STATE OF ECONOMIC EMERGENCY", MANLEY STRESSED URGENT NEED FOR PATRIOTISM, PRODUCTION AND SELF-RELIANCE. HE SAID JAMAICA HAD DECIDED NOT GO ON ITS KNEES TO THE IMF NOR WOULD IT "AT THIS TIME" DEVALUE THE JAMAICAN DOLLAR. HE LAMBASTED HIS CRITICS AND DEFENDED PAST PROGRAMS BEFORE ANNOUNCING MYRIAD OF SPECIFIC PROGRAMS. THESE INCLUDED:

A. EXTREMELY TIGHT EXCHANGE AND IMPORT CONTROLS,

B. TRAVEL RESTRICTIONS,

C. PROHIBITIONS ON REMITTANCES AND CAPITAL REPATRIATION REQUIREMENTS,

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D. MINOR BUDGET CUTS.

E. SUBSTANTIAL TAX INCREASES.

F. A COMPLEX WAGE MORATORIUM WHICH WILL LEAD EVENTUALLY TO AN INCOME CEILING.

G. A FREEZE ON PRICE INCREASES ON ESSENTIAL COMMODITIES AND ON RENTS.

H. NEW PENALTIES FOR ECONOMIC CRIMES.

ALTHOUGH MANLEY SAID JAMAICA WOULD MEET ALL ITS FOREIGN OBLIGATIONS, HE HINTED AT THE NEED FOR SOME RESCHEDULING. HE SAID A NEW PRODUCTION PROGRAM STRESSING POPULAR MOBILIZATION AND PARTICIPATION WOULD BE COMPLETED BY APRIL. IN GRAND FINALE, MANLEY ANNOUNCED THE ESTABLISHMENT OF DIPLOMATIC RELATIONS WITH THE USSR AND INCREASED TRADING RELATIONSHIPS WITH COMECON. (SEE SEPTTEL) HE DECRIED EXISTANCE OF CAPITALIST CONTROLLED PRESS IN JAMAICA AND SAID GOJ WAS NEGOTIATING ACQUISITION OF RADIO JAMAICA (SEE SEPTTEL). HE ALSO ANNOUNCED INTENT TO ACQUIRE THE CARIBBEAN CEMENT CO. AND ONE LARGE AND TWO SMALL FOREIGN BANKS. THERE WERE NO REFERENCES TO THE U.S. OR TO US/JAMAICA RELATIONS. END SUMMARY.

2. MANLEY BEGAN HIS MARATHON ADDRESS BY STRESSING THE THEMES OF SELF-RELIANCE, PRODUCTION, AND DECLARING A STATE OF ECONOMIC EMERGENCY. HE COMPARED THE SITUATION OF JAMAICA TO THAT OF A FARMER WHO HAS TRADITIONALLY RECEIVED TWO POUNDS OF SALT FISH FOR HIS TEN POUNDS OF YAMS BUT WHO NOW FINDS HIMSELF RECEIVING ONLY ONE POUND OF SALT FISH FOR THE SAME AMOUNT OF YAM. HE SAID JAMAICA'S UNCLASSIFIED

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PLIGHT WAS SIMILAR TO THAT OF MANY OTHER NATIONS IN THE THIRD WORLD. MANLEY DEFENDED GOVERNMENT OF JAMAICA'S BORROWING OVER THE LAST SEVERAL YEARS, SAYING THAT IT WAS NECESSARY TO KEEP THE STANDARD OF LIVING FROM FALLING DRASTICALLY. HE SAID, HOWEVER, THAT NOW IS "THE TIME TO CONFRONT REALITY".

3. THE IMF - IN REFERENCE TO THE IMF, MANLEY SAID HE WOULD

NEVER ALLOW JAMAICA TO GO ON ITS KNEES TO ANYONE IN THE WORLD FOR HELP. HE SAID THE IMF USUALLY REQUIRES A DEVALUATION, CUTS IN PUBLIC EXPENDITURES AND CERTAIN KINDS OF EXCHANGE POLICIES. HE SAID THAT TO GO THE IMF ROUTE WOULD INVOLVE AN EROSION OF JAMAICA'S SOVEREIGNTY, AND A CUTBACK IN "PEOPLE-ORIENTED" PROGRAMS. MANLEY SAID HE IS AWARE OF FACT THAT THE IMF "MIGHT REPEAT MIGHT" NOT BE ABLE TO GRANT ITS SEAL OF APPROVAL TO

JAMAICA'S AUSTERITY PROGRAM. HE CALLED FOR CHANGE
IN THE CHARACTER OF THE IMF TO MAKE IT MORE RES-
PONSIVE TO THIRD WORLD NEEDS.

4. BLAME - MANLEY WAS SHARPLY CRITICAL OF HIS
OPPONENTS. HE WAS PARTICULARLY CRITICAL OF "CERTAIN
DAILY NEWSPAPERS" WHO SOUGHT TO PIN THE BLAME ON THE
PNP FOR THE ECONOMIC CRISIS. HE DEFENDED, AT LENGTH,
THE VARIOUS SOCIAL ACTION PROGRAMS HE WAS INITIATED
AND SAID THAT THOSE WHO HAD ILLEGALLY TAKEN \$300
MILLION OUT OF JAMAICA MUST ACCEPT A LARGE MEASURE
OF THE BLAME FOR THE CRISIS. HE THEN RECITED THE
PRINCIPLES OF DEMOCRATIC SOCIALISM, INCLUDING ITS
UNALTERABLE COMMITMENT TO THE ELIMINATION OF CAPITALISM,
BUT ALSO TO A CONTINUING (IF MINOR) ROLE FOR THE PRIVATE SECTOR.

5. FOREIGN EXCHANGE CONTROLS - MANLEY THEN PROVIDED
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LISTS OF SPECIFIC MEASURES BEING IMPLEMENTED BY THE
GOVERNMENT. THESE INCLUDED:

A) TOTAL ELIMINATION OF NON-ESSENTIAL IMPORTS;

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AID-05 PC-05 /095 W

-----202236Z 120532 /66

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AMEMBASSY NASSAU

AMEMBASSY PORT OF SPAIN

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B) DEVELOPMENT OF A FOREIGN EXCHANGE BUDGET;
C) REQUIREMENT THAT ALL FOREIGN EXCHANGE
TRANSACTIONS TAKE PLACE THROUGH THE BANK
OF JAMAICA; COMMERCIAL BANKS WOULD NOT
BE ALLOWED TO BUY AND SELL FOREIGN EXCHANGE
ON THEIR OWN ACCOUNT;
D) ELIMINATION OF REMITTANCES OF CAPITAL AND
INCOME FOR MIGRANTS;
E) A BAN ON REMITTANCES FOR MAINTENANCE OF
DEPENDENTS ABROAD;
F) LIMITATION OF BUSINESS TRAVEL TO THE
ESSENTIAL AND ON A RIGOROUSLY SCREENED BASIS;
G) LIMITATION OF EXCHANGE FOR HOLIDAY TRAVEL TO
\$50 A PERSON PER ANNUM;
H) APPOINTMENT OF A COMMITTEE TO INVESTIGATE
METHODS OF REDUCING FOREIGN INSURANCE PAY-
MENTS, ROYALTIES AND FEES;
I) LIMITATION TO 20 PERCENT OF THE FOREIGN EXCHANGE
COMPONENT OF EMOLUMENTS RECEIVED BY WORK
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PERMIT HOLDERS; AND
J) IMMEDIATE REPATRIATION OF ALL FOREIGN ASSETS
HELD ABROAD.
HOWEVER, NO BAN WAS IMPOSED ON REMITTANCES ABROAD
FOR EDUCATION.

6. HINT AT DEBT RESCHEDULING- MANLEY SAID JAMAICA
WILL NOT RENEGE ON ITS LEGITIMATE DEBTS. HOWEVER,
HE CAUTIONED THAT DELAYS IN REPAYMENT MAY BE
NECESSARY BUT ONLY WHEN RESOURCES ARE NOT AVAILABLE.

7. BUDGET CUTS-MANLEY ANNOUNCED THAT MEMBERS OF
STATUTORY BOARDS WOULD SERVE WITHOUT EMOLUMENTS. HE
ALSO ANNOUNCED THE ESTABLISHMENT OF PROGRAMS TO
REDUCE GOVERNMENT WASTE, CONSERVE ENERGY AND INCREASE
PRODUCTIVITY.

8. TAXES-SUBSTANTIAL TAX INCREASES WERE ANNOUNCED:
THEY INCLUDE:
A. A CONSUMPTION DUTY ON GASOLINE BRINGING THE
PRICE OF GAS FROM J\$1.26 TO J\$1.98 PER
IMPERIAL GALLON,
B. INCREASES OF FROM 10 TO 33 PERCENT ON BETTING,
MOTOR VEHICLES AND LICENSE TAXES,
C. CLOSING OF NUMEROUS PERSONAL INCOME TAX
LOOPHOLES, AND

D. A SUBSTANTIAL INCREASE IN PERSONAL INCOME
TAX (UP TO 80 PERCENT ON INCOME IN EXCESS OF
\$30,000.)

9. WAGE AND PRICE RESTRAINT-MANLEY DESCRIBED AN INCOME AND
WAGE POLICY AS CRITICAL. HE ANNOUNCED A SIX-MONTH
MORATORIUM ON WAGE INCREASES IN 1977 AND THE
CREATION OF A WAGES AND PRICES COUNCIL WHICH WOULD
WORK TOWARD THE ESTABLISHMENT OF A CEILING ON INCOME
AS SOON AS POSSIBLE. HE SAID A SOCIALIST COUNTRY
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COULD NOT TOLERATE A SITUATION IN WHICH THE EARNINGS
OF SOME EMPLOYEES ARE FIFTY TIMES THOSE EARNED BY
OTHERS. MANLEY ALSO ANNOUNCED THAT THERE WOULD BE
AN ABSOLUTE FREEZE ON THE PRICES OF ALL ESSENTIAL
COMMODITIES AND RENTALS DURING 1977. HE DESCRIBED
LEGISLATION WHICH WILL BE INTRODUCED TO STIFFEN
PENALTIES FOR "ECONOMIC CRIMES". INCLUDING MANDATORY PRISON
SENTENCES FOR THOSE WHO ILLEGALLY EXPORT CURRENCY.

10. PRODUCTION-A PRODUCTION PROGRAM WILL BE
ANNOUNCED IN APRIL AND A LONG-TERM DEVELOPMENT PLAN
WILL BE PUT INTO EFFECT IN DECEMBER . MANLEY REAFFIRMED
HIS BELIEF IN A MIXED ECONOMY COMPOSED OF A STATE
SECTOR, A PEOPLE'S (I.E., COOPERATIVE) SECTOR AND
THE TRADITIONAL PRIVATE SECTOR. HE SAID THE PRODUCTION
PROGRAM WOULD INVOLVE A MAJOR EFFORT TO MOBILIZE
THE PEOPLE AND REFORM THEIR ATTITUDES.

11. TRADE DIVERSIFICATION-MANLEY ANNOUNCED THE
EXPANSION OF TRADING REALTIONS WITH THE SOCIALIST
COUNTRIES AND THE ESTABLISHMENT OF DIPLOMATIC RELATIONS
WITH THE SOVIET UNION (SEE SEPTTEL).

12. ACQUISITIONS-MANLEY ANNOUNCED:
A. NATIONALIZATION, THROUGH LAWFUL ACTION, OF
RADIO JAMAICA. ACQUISITION WOULD BE
THROUGH THE JAMAICA WORKERS BANK AND THE
SHARES OF RADIO JAMAICA WOULD BE DISTRI-
BUTED TO WORKERS REPRESENTATIVE GROUPS.
MANLEY SAID THAT THE MEDIA IS CURRENTLY
CONTROLLED BY FOREIGN OR CAPITALIST ORGAN-
IZATIONS AND IT IS TIME THE PEOPLE'S IN-
STITUTIONS SHOULD HAVE A VOICE. (SEE SEPTTEL.)
B) GOVERNMENT ACQUISITION OF THE CARIBBEAN
CEMENT CO.
C) GOVERNMENT MEASURES TO ASSUME CONTROL OF
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ALL IMPORTS NECESSARY FOR NATIONAL DEVELOPMENT AND IN THE PUBLIC INTEREST. ACQUISITIONS NECESSARY TO ACCOMPLISH THESE OBJECTIVES WILL BE UNDERTAKEN BY JAMAICAN NUTRITION HOLDINGS. MANLEY EXPLAINED THAT THIS SHOULD BRING ABOUT RATIONALIZATION OF THE DISTRIBUTION SYSTEM.

D) THE GOVERNMENT'S INTENTION TO ACQUIRE ONE OF THE MAJOR FOREIGN BANKS AND TWO SMALLER BANKS. MANLEY SAID THAT HENCEFORTH BANK LENDING POLICIES WILL HAVE TO BE CONSISTENT WITH PRODUCTION AND TO INSURE THAT THE SMALL BUSINESSMEN AND ENTREPRENEURS HAVE READY ACCESS TO FUNDS.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONTROLS, ECONOMIC PROGRAMS
Control Number: n/a
Copy: SINGLE
Sent Date: 20-Jan-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977KINGST00327
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770022-0167
Format: TEL
From: KINGSTON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770133/aaaabdbe.tel
Line Count: 297
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 2def07d4-c288-dd11-92da-001cc4696bcc
Office: ACTION ARA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29-Sep-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3549908
Secure: OPEN
Status: NATIVE
Subject: SUMMARY OF MANLEY'S JANUARY 19 AUSTERITY ADDRESS
TAGS: EFIN, JM, IMF
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/2def07d4-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009